

1 AMENDMENT TO HOUSE BILL 1989

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 1989 by replacing  
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Insurance Code is amended by  
5 changing Section 205 as follows:

6 (215 ILCS 5/205) (from Ch. 73, par. 817)

7 Sec. 205. Priority of distribution of general assets.

8 (1) The priorities of distribution of general assets  
9 from the company's estate shall ~~is to~~ be as follows:

10 (a) The costs and expenses of administration,  
11 including the expenses of the Illinois Insurance Guaranty  
12 Fund, the Illinois Life and Health Insurance Guaranty  
13 Association, the Illinois Health Maintenance Organization  
14 Guaranty Association and of any similar organization in  
15 any other state as prescribed in subsection (c) of  
16 Section 545.

17 (b) Secured claims, including claims for taxes and  
18 debts due the federal or any state or local government,  
19 that are secured by liens perfected prior to the filing  
20 of the complaint.

21 (c) Claims for wages actually owing to employees  
22 for services rendered within 3 months prior to the date

1 of the filing of the complaint, not exceeding \$1,000 to  
2 each employee unless there are claims due the federal  
3 government under paragraph (f), then the claims for wages  
4 shall have a priority of distribution immediately  
5 following that of federal claims under paragraph (f) and  
6 immediately preceding claims of general creditors under  
7 paragraph (g).

8 (d) Claims by policyholders, beneficiaries,  
9 insureds and liability claims against insureds covered  
10 under insurance policies and insurance contracts issued  
11 by the company, and claims of the Illinois Insurance  
12 Guaranty Fund, the Illinois Life and Health Insurance  
13 Guaranty Association, the Illinois Health Maintenance  
14 Organization Guaranty Association and any similar  
15 organization in another state as prescribed in Section  
16 545.

17 (e) Claims by policyholders, beneficiaries, and  
18 insureds, the allowed values of which were determined by  
19 estimation under paragraph (b) of subsection (4) of  
20 Section 209.

21 (f) Any other claims due the federal government.

22 (g) All other claims of general creditors not  
23 falling within any other priority under this Section  
24 including claims for taxes and debts due any state or  
25 local government which are not secured claims and claims  
26 for attorneys' fees incurred by the company in contesting  
27 its conservation, rehabilitation, or liquidation.

28 (h) Claims of guaranty fund certificate holders,  
29 guaranty capital shareholders, capital note holders, and  
30 surplus note holders.

31 (i) Proprietary claims of shareholders, members, or  
32 other owners.

33 (2) Within 120 days after the issuance of an Order of  
34 Liquidation with a finding of insolvency against a domestic

1 company, the Director shall make application to the court  
2 requesting authority to disburse funds to the Illinois  
3 Insurance Guaranty Fund, the Illinois Life and Health  
4 Insurance Guaranty Association, the Illinois Health  
5 Maintenance Organization Guaranty Association and similar  
6 organizations in other states from time to time out of the  
7 company's marshaled assets as funds become available in  
8 amounts equal to disbursements made by the Illinois Insurance  
9 Guaranty Fund, the Illinois Life and Health Insurance  
10 Guaranty Association, the Illinois Health Maintenance  
11 Organization Guaranty Association and similar organizations  
12 in other states for covered claims obligations on the  
13 presentation of evidence that such disbursements have been  
14 made by the Illinois Insurance Guaranty Fund, the Illinois  
15 Life and Health Insurance Guaranty Association, the Illinois  
16 Health Maintenance Organization Guaranty Association and  
17 similar organizations in other states.

18 The Director shall establish procedures for the ratable  
19 allocation and distribution of disbursements to the Illinois  
20 Insurance Guaranty Fund, the Illinois Life and Health  
21 Insurance Guaranty Association, the Illinois Health  
22 Maintenance Organization Guaranty Association and similar  
23 organizations in other states. In determining the amounts  
24 available for disbursement, the Director shall reserve  
25 sufficient assets for the payment of the expenses of  
26 administration described in paragraph (1) (a) of this  
27 Section. All funds available for disbursement after the  
28 establishment of the prescribed reserve shall be promptly  
29 distributed. As a condition to receipt of funds in  
30 reimbursement of covered claims obligations, the Director  
31 shall secure from the Illinois Insurance Guaranty Fund, the  
32 Illinois Life and Health Insurance Guaranty Association, the  
33 Illinois Health Maintenance Organization Guaranty Association  
34 and each similar organization in other states, an agreement

1 to return to the Director on demand funds previously received  
2 as may be required to pay claims of secured creditors and  
3 claims falling within the priorities established in  
4 paragraphs (a), (b), (c), and (d) of subsection (1) of this  
5 Section in accordance with such priorities.

6 (3) The provisions of this Section are severable under  
7 Section 1.31 of the Statute on Statutes.

8 (Source: P.A. 89-206, eff. 7-21-95; 90-381, eff. 8-14-97.)".